**DETERMINANTS OF DEMAND**

**A.K.A. – TRIBE**

**Tastes & Preferences**
- If a new trend or fad starts for a product, or information is released that creates positive feelings about a product, this would lead to an INCREASE in demand.
- If information is released that creates negative feelings about a product, this would lead to a DECREASE in demand.

**Related Goods Prices**
- Compliments – Goods that are used together (example: hotdogs and hotdog buns)
  - If the price of one good goes up, the demand for the other good will decrease.
  - If the price of one good goes down, the demand for the other good will increase.
- Substitutes – Goods that can be used in place of one another (example: Coke & Pepsi)
  - If the price of one good goes up, the demand for the other good will increase.
  - If the price of one good goes down, the demand for the other good will decrease.

**Income**
- Normal goods – the “good” stuff, luxury items (example: Coach purses, dinner at a nice restaurant)
  - If income increases, the demand for normal goods increases.
  - If income decreases, the demand for normal goods decreases.
- Inferior goods – the “cheap” stuff (example: Ramen noodles, rice & beans)
  - If income increases, the demand for inferior goods decreases.
  - If income decreases, the demand for inferior goods increases.

**Buyers in the Market**
- Population changes that impact demand (example: baby boom, Spanish influenza)
  - If population increases, demand will increase.
  - If population decreases, demand will decrease.
- Can also occur when a business a store in a new location (example: Chick-fil-a)

**Expectations**
- Expectations about what will happen to prices in the future impacts demand.
  - If you expect the price of a good to increase in the future, CURRENT DEMAND will INCREASE.
  - If you expect the price of a good to decrease in the future, CURRENT DEMAND will DECREASE.

  *** Unfortunately, this is a self-fulfilling prophecy!!

**BE SURE YOU KNOW:**

**What is the difference between a change in demand, and a change in quantity demanded? What causes each?**
**How does each type of change look on the supply & demand graph?**